

Maritime Administration

Overview: The Maritime Administration (MARAD) provides education and training of merchant mariner officers at the U.S. Merchant Marine Academy and six State Maritime Schools, manages the Ready Reserve Force within the National Defense Reserve Fleet (NDRF), supports the shipbuilding and repair industry, and disposes of obsolete vessels in the NDRF -- significant programs that contribute to economic, national and environmental security. The total 2003 request of \$212 million is \$15 million, or 7 percent, lower than 2002. The differences in the 2002 and 2003 totals are attributed to an appropriated level of \$33 million for the guaranteed loan program in 2002, compared to the 2003 request of \$4 million for administrative costs only, and a request of \$11 million in 2003 for the ship disposal program, compared to no appropriated funds in 2002.

MARITIME ADMINISTRATION BUDGET

(Dollars In Millions)

	2001 <u>Actual</u>	2002 <u>Enacted</u>	2003 <u>Request</u>
Operations & Training	89	91	97
Maritime Security	98	99	99
Maritime Guaranteed Loans	34	37	4
Ship Disposal 1/	<u>0</u>	<u>0</u>	<u>11</u>
TOTAL 2/	222	227	212

1/ Excludes \$10 million in appropriations transferred in FY 2001 from the Navy for Ship Disposal.

2/ Includes estimated accrual payments of \$2.5 million in FY 2001 and \$2.5 million in FY 2002 for civil service retirement and health benefits.



FY 2003 Budget

Operations and Training: The 2003 budget requests \$97 million to support MARAD operations, the U.S. Merchant Marine Academy, and State Maritime Schools. Of this amount, \$49.7 million is requested for the Merchant Marine Academy, including a continuation of \$13 million for critical capital improvement projects, and \$7.6 million is requested for support of the State Maritime Schools.

Maritime Security: The budget includes \$98.7 million for the Maritime Security Program. This fleet consists of 47 active, militarily useful, privately-owned vessels to meet national defense and other security requirements, and to maintain a United States presence in international commercial shipping.



Ship Disposal: The 2003 budget includes \$11 million to remove four obsolete ships from the National Defense Reserve Fleet (NDRF). MARAD is required to dispose of the obsolete ships in the NDRF by 2006. The agency anticipates an inventory of 132 vessels at the beginning of 2003, and with the budget request of \$11 million, plans to remove four vessels. Since many of the vessels contain hazardous substances, such as asbestos and polychlorinated biphenyls, they pose a threat to the environment.

Maritime Guaranteed Loan Program: Consistent with the Administration's intent to eliminate corporate subsidies, no funds are requested for loan guarantees. The budget includes \$4 million for the administration of the existing loan guarantee portfolio. Due to the economic downturn in the cruise ship industry, MARAD estimates \$367 million in Title XI principal defaults in 2002. Historically, there has been a 50 percent recovery for the taxpayer on these defaults.

Ready Reserve Force: The Ready Reserve Force (RRF) is managed by MARAD, but funded in the Department of Defense (DOD) budget. The 2002 level for the RRF is \$227.5 million. MARAD will meet priority DOD sealift requirements and readiness levels for the RRF with the current request of \$251.8 million for 2003 activities.